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The Role of Decentralized Authorities in Financing Investment Projects for Endowment Properties

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Abstract:

Discussing endowments is intrinsically linked to the broader concept of state-building and development. The significance of endowments extends far beyond mere construction projects; it pertains to a comprehensive system that integrates various aspects of societal advancement, particularly in the economic domain.

Endowments, which encompass properties donated for religious, educational, or charitable purposes, play a pivotal role in shaping a state's development strategy. Their effective utilization and investment are not only critical for the sustained growth of state infrastructure but also for fostering a robust economic framework. In the face of dynamic political, economic, and social transformations, leveraging endowment properties becomes a fundamental necessity. These transformations often involve shifts in government priorities, emerging economic challenges, and evolving societal needs. In this context, the strategic deployment of endowment resources serves as a crucial financial tool. For instance, the revenue generated from endowment properties can alleviate financial pressures on critical sectors such as education and healthcare. By investing in these sectors, endowments help in addressing systemic issues and bridging funding gaps, thereby contributing to the overall well-being of society. Moreover, the investment and development of endowment properties can drive economic growth by creating job opportunities, stimulating local economies, and enhancing the quality of public services. Endowments can support the development of educational institutions, hospitals, and public amenities, which in turn, boosts human capital and improves the standard of living.

In essence, the role of endowments in state development is multifaceted. They are not merely financial assets but represent a strategic component of a nation's economic and social infrastructure. Their effective management and investment reflect the broader objective of achieving sustainable development and enhancing the quality of life for citizens. As states navigate through

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complex transformations, the strategic use of endowment resources becomes increasingly important in addressing both immediate and long-term challenges.

Keywords: *suspension; Investment; self-financing; National funding; External funding.*

Introduction:

There is no longer any disagreement that the endowment sector has come to meet all the needs of society, regardless of its composition. Historically, endowments have been known for alleviating social burdens by providing healthcare services, promoting Quranic education, supporting humanitarian campaigns, and participating in disaster relief efforts. Today, however, endowments have also become a significant contributor to economic development and an attractive environment for sustainable investments that align with Islamic principles, particularly in their financing aspects.

Despite Algeria's vast endowment wealth, this institution has not received the attention commensurate with its importance. Several factors contribute to this neglect, most notably colonialism, which sought to erase Islamic landmarks and led to diminished interest in endowments. Even after independence, the institution faced challenges, including the disruption of laws governing endowment properties and their appropriation through various means. A notable example of this is the renaming of the Ministry of Endowments to the Ministry of Religious Affairs, a change that reflected the reduced focus on endowments. It was not until 1990 that the true revival of interest in endowments began, as enshrined in Article 49 of the 1989 Constitution. This renewed focus was further reinforced by Law 91-10, which explicitly allowed for the investment of endowment properties, albeit only through rental arrangements. It was not until the enactment of Law 01-07 that Algeria introduced new legal frameworks, providing innovative methods for investing and utilizing endowment properties.

In this context, Article 26 bis of Law 01-07 stipulates that endowment properties can be exploited, invested, and developed through self-financing, national financing, or external financing, provided that applicable laws and regulations are observed. However, the practical reality reveals that the only implemented model has been leasing, while

the other models remain theoretical proposals awaiting translation from legal texts into actual civil practice.

The significance of this study lies in its exploration of these issues against the backdrop of broader political, economic, and social transformations within the state, which are aimed at finding revenue sources to support the state budget. This includes seeking both internal and external financial resources through legally sanctioned investment models that align with Islamic principles from an economic perspective.

Based on the above, the core issue of this study revolves around the following question:

To what extent do the newly introduced financing models under Law 01/07 contribute to the exploitation, investment, and development of endowment properties in Algeria?

The research methodology employed is a descriptive-analytical approach, which involves a detailed description of the phenomenon and an analysis of the legal texts to address the issue. The research is divided into two main sections:

One: Decentralized Bodies for Administrative and Financial Management of Endowment Properties.

Two: Newly Introduced Models for Financing Endowment Investment Projects.

I. Decentralized Bodies for Administrative and Financial Management of Endowment Properties

It is observed that central management of endowments has established a system of relative decentralization, creating local bodies assigned with the task of managing and organizing endowments within a framework of powers and responsibilities defined by decrees and directives related to endowment administration. Key among these is the executive decree issued in 1998[1]. These bodies include the Directorate of

[1] Executive Decree No. 98-381, dated December 1, 1998, specifies the conditions for managing and protecting endowment assets and the procedures for doing so, Official Journal of the Algerian Republic, No. 90, published on December 2, 1998. [Original work is in Arabic]

Religious Affairs and Endowments, the Mosque Institution, the Endowment Agent, and the Custodian of Endowment Property, in addition to a specialized financial unit where the revenues from endowment benefits are deposited. We will detail the functions of each body.

1. The Administrative Body Managing Endowment Property

Algeria, like many Islamic countries, has sought to establish administrative bodies to optimize the management of endowments. The Algerian legislator has made several attempts to regulate the administration responsible for endowments, as outlined below:

a) Directorate of Religious Affairs and Endowments

In Algeria, the management of endowments is represented at the level of each province through the Directorate of Religious Affairs and Endowments. This body is entrusted with numerous responsibilities related to the management, administration, and inventory of all endowment properties within its regional jurisdiction. It achieves this by appointing an endowment agent in each administrative district, whose primary role is to oversee the endowment property locations and monitor all activities related to the management of endowment assets.

First- Administrative Organization Under Decree 91-83

The Directorate of Religious Affairs and Endowments is the highest authority within each province responsible for managing and administering endowment properties under the supervision and oversight of the Ministry of Religious Affairs and Endowments. Established by an executive decree in 1991[1], the decentralization in this regard is reflected in the form of the Directorate of Religious Affairs and Endowments. According to Article 2 of the aforementioned executive decree, a Directorate of Religious Affairs and Endowments was to be established in each province.

[1] Executive Decree No. 91-82, dated March 23, 1999, includes the establishment of the Mosque Institution, Official Journal of the Algerian Republic, No. 16, published on April 10, 1991. [Original work is in Arabic]

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Decree 91-83, in its first section, outlined the powers and responsibilities assigned to the Directorate of Religious Affairs and Endowments in each province, assigning it eight fundamental tasks, including: **Protecting Endowments and Encouraging Their Investment:** This task is to be carried out in accordance with Islamic law and legal regulations[1].

However, this decree was criticized for its inadequacies in meeting the fundamental requirements for the operation of decentralized services across the provinces. These shortcomings led to its complete annulment in 2000 by another executive decree[2].

Secondly – Administrative Organization Under Decree 2000-200:

Decree 2000-200, which sets out the organizational rules for the Religious Affairs and Endowments services at the provincial level, contains seven articles that regulate these services. One of the most significant changes introduced by this decree is the renaming of provincial services from "Directorate" to "Department." Article 2 states: The Religious Affairs and Endowments services at the provincial level are consolidated into a Directorate for Religious Affairs and Endowments, which includes structured services in an office format[3]. The Directorate is divided into three main departments, each of which may contain up to three offices depending on the importance of the tasks assigned[4].

[1] See Article 03 of Executive Decree No. 91-82, which includes the establishment of the Mosque Institution, as mentioned above. [Original work is in Arabic]

[2] Executive Decree No. 2000-200, dated July 26, 2000, specifies the rules for organizing the Religious Affairs and Endowments Services in the Wilaya and their operation, Official Journal of the Algerian Republic, No. 47, published on July 26, 2000. [Original work is in Arabic]

[3] See Article 02 of Executive Decree No. 2000-200, which specifies the rules for organizing the Religious Affairs and Endowments Services in the Wilaya and their operation, as mentioned above. [Original work is in Arabic]

[4] See Article 04 of Executive Decree No. 2000-200, which specifies the rules for organizing the Religious Affairs and Endowments Services in the Wilaya and their operation, as mentioned above. [Original work is in Arabic]

According to Article 5 of Decree 2000-200, the provincial Directorate includes the following departments:

- Department of Personnel, Resources, and Accounting;
- Department of Guidance, Rituals, and Endowments;
- Department of Qur'anic Education, Training, and Islamic Culture.

Each department and office is headed by a director, as outlined in the list of senior positions associated with decentralized services of the Ministry of Religious Affairs and the conditions for appointment and classification, as per Decree 97-34[1]. Article 2 of this decree specifies the senior positions in the decentralized services of the Ministry of Religious Affairs as follows:

- Head of Department.
- Head of Office.

The structure of public authorities in the country has become more apparent through Decree 2000-200, which repealed the provisions of the previous Decree 91-83 with the aim of developing the Directorate for Religious Affairs and Endowments at the provincial level and implementing all measures to promote and advance the activities related to religious affairs and endowments.

The intention of the public authorities also emerged through the addition of new powers and responsibilities aimed at the effective management of religious affairs. Among the most significant tasks related to endowment properties are[2]:

- Monitoring the management and ensuring the protection and investment of endowment properties.

[1] Executive Decree No. 97-34, dated January 14, 1997, specifies the list of senior positions in the decentralized services of the Ministry of Religious Affairs, the conditions for joining them, and their classification, Official Journal of the Algerian Republic, No. 04, published on January 14, 1997. [Original work is in Arabic]

[2] Article 03 of Executive Decree No. 91-83, dated March 23, 1991, concerning the establishment of a religious affairs supervision in the province and defining its organization and operation, Official Journal of the Algerian Republic, No. 16, published on April 10, 1991. [Original work is in Arabic]

- Coordinating the activities of institutions operating under the sector's supervision.

- Overseeing proposed projects for the construction of Qur'anic schools, endowment properties, and branches of the Islamic Cultural Center, and providing opinions on these matters.

- Granting explicit approval for proposed mosque construction projects.

- Entering into lease agreements for endowment properties and managing their investment within the boundaries established by current legislation and regulations.

b) **The Mosque Foundation**

The Mosque Foundation was established by Executive Decree No. 91-82[1]. According to Article One of this decree, an Islamic institution is created in each province with legal personality and financial independence, named "The Mosque Foundation" or simply "the Foundation" as referred to in the text.

The Foundation is tasked with overseeing the construction of mosques and Qur'anic schools, contributing to their equipment and maintenance, protecting their properties, and promoting the endowment movement. It also manages the investment of endowments within the scope of charitable activities. The Foundation consists of four councils: the Supreme Council, the Construction and Equipment Council, the Read and Learn Council, and the Council of Charitable Ways, which includes imams, members of Islamic charitable associations, and mosque committees. The Minister of Religious Affairs approves the members of these councils.

c) **The National Office for Endowments and Zakat**

Established by Executive Decree No. 21-179, the National Office for Endowments and Zakat (referred to as "the Office" in the text) is a public institution with an industrial and commercial nature, possessing

[1] Executive Decree No. 91-82, dated March 23, 1999, concerning the creation of the Mosque Foundation, Official Journal of the Algerian Republic, No. 16, published on April 10, 1991. [Original work is in Arabic]

legal personality and financial independence. According to the provisions of the decree, the Office serves as a tool for managing, utilizing, developing, and investing public endowments in accordance with the wishes of the endower, Islamic law, its objectives, and applicable legislation and regulations. Given this role, it is entrusted with various responsibilities, particularly concerning social and economic development. The Office can[1]:

- Develop effective mechanisms for increasing zakat resources.
- Support and mentor youth in their projects and small enterprises, coordinating with relevant agencies and institutions.
- Enter into agreements with financial and economic institutions aligned with its activities.
- Contribute to national charitable and solidarity campaigns.

2. The Human Resources Managing Endowment Properties

The Algerian legislator has established the role of the Endowment Supervisor (Nadhir al-Waqf) as the manager of endowment properties[2], assigning the direct management of these properties to this role. Additionally, the position of Endowment Agent (Wakeel al-Awqaf) was created to oversee endowment properties and monitor the work of endowment property supervisors.

a) The Rank of Endowment Agent

Under the Executive Decree issued in 1991[3], the Endowment Agents were organized into a single rank: the Endowment Agent, as outlined in Article 24. The Endowment Corps was included among six

[1] Executive Decree No. 21/179, dated May 3, 2001, concerning the establishment of the National Office for Endowments and Zakat and defining its law, Official Journal of the Algerian Republic, No. 35, dated May 12, 2021. [Original work is in Arabic]
[2] Article 33 of Law No. 91-10, dated April 27, 1991, concerning the Endowments Law, Official Journal of the Algerian Republic, No. 21, published on May 8, 1991. [Original work is in Arabic]
[3] Executive Decree No. 91-114, dated April 22, 1991, concerning the Basic Law for Workers in the Ministry of Religious Affairs, Official Journal of the Algerian Republic, No. 20, published on May 1, 1991. [Original work is in Arabic]

specialized corps within the Ministry of Religious Affairs, according to Article 3 of the same decree. However, with the introduction of Executive Decree 08-411[1], the Endowment Corps was restructured into two ranks: Endowment Agent and Chief Endowment Agent, as specified in Article 27. The responsibilities for each rank are as follows:

First-Endowment Agent: This position is specifically responsible for[2]:

- Monitoring and overseeing the management and administration of endowment properties and zakat.
- Ensuring the maintenance of endowment properties and proposing measures for their restoration.
- Promoting endowment activities and investing endowments.
- Identifying and cataloging unclassified endowment properties.
- Handling disputes related to endowment properties.

Secondly- Chief Endowment Agent: In addition to the tasks assigned to Endowment Agents, Chief Endowment Agents are particularly responsible for[3]:

- Proposing projects related to zakat and endowment properties.
- Preparing annual reports on the revenues and expenditures of zakat and endowment properties.

[1] Executive Decree No. 08-411, dated December 24, 2008, concerning the Basic Law for Employees of the Properties Administration in the Ministry of Religious Affairs and Endowments, Official Journal of the Algerian Republic, No. 73, published on December 28, 2008. [Original work is in Arabic]

[2] Article 28 of Executive Decree No. 08-411, concerning the Basic Law for Employees of the Properties Administration in the Ministry of Religious Affairs and Endowments, mentioned above. [Original work is in Arabic]

[3] Article 29 of Executive Decree No. 08-411, concerning the Basic Law for Employees of the Properties Administration in the Ministry of Religious Affairs and Endowments, mentioned above. [Original work is in Arabic]

- Contributing to the activities of the Construction and Equipment Council and the Charitable Ways Council within the Mosque Foundation.

b) **Endowment Property Supervisor**

The Algerian legislator defined the role of the Endowment Property Supervisor (Nadhir al-Mulk al-Waqfi) in Article 07 of the Executive Decree issued in 1998[1], which states: "The Endowment Supervisor is responsible for the direct management of endowment properties, their care, development, utilization, preservation, and protection."

Furthermore, Articles 11 and 13 of the same decree specify that the Endowment Property Supervisor is subject to oversight by the Endowment Agent under the supervision of the Director of Religious Affairs. This role is endowed with several duties and powers, including[2]:

- Overseeing the endowment property, acting as a trustee for the beneficiaries, and being accountable for any negligence.
- Preserving the endowment property and its attachments, including real estate and movable assets.
- Carrying out actions that benefit the endowment property or its beneficiaries.
- Protecting the endowment property while adhering to applicable regulations and the conditions set by the endower.
- Ensuring the maintenance, repair, and reconstruction of built endowment properties as necessary.
- Safeguarding endowment properties and agricultural endowment lands, improving and cultivating them in accordance with Article 45 of Law No. 91-10.

[1] Executive Decree No. 98-381, dated December 1, 1998, establishing the conditions for managing and protecting endowment properties, Official Journal of the Algerian Republic, No. 90, published on December 2, 1998. [Original work is in Arabic]

[2] See: Article 13 of Executive Decree No. 98-381, establishing the conditions for managing and protecting endowment properties, mentioned above. [Original work is in Arabic]

- Collecting revenues from the endowment property.
- Ensuring the rights of beneficiaries are met by adhering to the conditions set by the endower, after deducting expenses related to the preservation, protection, and service of the endowment property.

This highlights the crucial role of the Endowment Property Supervisor in managing and overseeing endowment assets. Consequently, the legislator has accorded significant importance to this role, dedicating three complete sections (the fourth, fifth, and sixth) [1] of Chapter Two of Decree 98-381 to this function. Given the significant responsibilities of the Endowment Property Supervisor in relation to endowment issues, it is essential to thoroughly address this role.

c) Provincial Financial Accounts for Endowment Properties

Financial accounts for endowment revenues at the local level were established through ministerial decrees issued by the Minister of Religious Affairs and Endowments. These accounts are managed under the supervision of the central fund, with the Endowment Property Supervisor maintaining financial records under the oversight and authority of the Endowment Agent. Funds collected from endowments are deposited into these accounts and subsequently transferred to the central account at the Directorates of Religious Affairs and Endowments in the provinces, after deducting authorized expenses[2].

The new administrative and financial organization for endowment management was implemented in response to economic changes and the strategic directions of the Ministry of Endowments during this period. These directions include intensifying efforts to locate and gather lost

[1] Salah Moulouk, "State Oversight of Endowments through the Organization of Endowment Property Management after 1991 in Algeria," *Journal of Ijtihad for Legal and Economic Studies*, Vol. 08, No. 01, (Algeria, 2019), p. 118. [Original work is in Arabic]

[2] Boudiaf Abdelrazak, *Management of Endowment Funds and Investment Methods in Islamic Jurisprudence and Law* (Ain M'lila, Algeria: Dar Al-Huda, 2010), p. 80. [Original work is in Arabic]

endowments, inventorying existing endowments, investing in endowment assets, and ensuring the care and protection of endowment properties[1].

However, this new organizational structure has been observed to repeat the same old organizational errors. It involves an illogical division of tasks by merging endowment activities with pilgrimage affairs and other unrelated matters, failing to respect the principle of allocation. Moreover, it does not fully utilize the supervising bodies and institutions overseeing the endowment sector, which have historically been and continue to be integral to the governmental administrative apparatus. The endowment sector remains subject to a high degree of centralization, controlling and directing endowment activities in the community in a manner that serves the broader public policy interests of the state.

II. Innovative Financing Methods for Endowment Investment Projects

Investment is a crucial mechanism and a fundamental factor in the economic development of a country. Algerian legislation has introduced innovative financing methods within the framework of Law No. 20/02, which outlines Islamic banking operations and their regulations as practiced by banks and financial institutions[2]. These methods aim to liberate investment processes and contribute to the preservation and development of endowment properties by seeking both internal and external sources of funding. This section will explore these financing methods in detail.

Before delving into the financing methods, it is useful to highlight the classification of endowment properties in Algeria. This serves to underscore that endowments have become a key component in achieving economic growth in Algeria. The integration of the Ministry of Religious Affairs into the country's overall economic policy demonstrates this significance. Observations reveal that the major share of endowment

[1] Interview with the Minister of Religious Affairs and Endowments, "Endowment Investment," *Al-Asr Magazine*, Series Five, Issue One, (Algeria, 2001), p. 23. [Original work is in Arabic]

[2] System No. 20/02 dated March 15, 2020, specifies the banking operations related to Islamic finance and the rules for its practice by banks and financial institutions, *Journal Officiel de la République Algérienne*, Issue 16, published on March 24, 2020. [Original work is in Arabic]

properties is allocated to essential sectors for economic growth. For instance, the number of commercial properties is estimated at 1,388, followed by agricultural lands numbering 656, orchards at 118, and incubators and agencies totaling 15. This distribution indicates a focus on specific sectors, aligning with the country's economic vision.

1. Internal Financing for Endowment Investment Projects

The search for a sound economic and Sharia-compliant financial approach has always been a primary concern for Islamic economists. They have established principles for financing non-usurious economic projects, and these principles are applicable to financing endowment projects as well. These can be summarized as follows:

a) Self-Financing Sources

Islamic economists advocate for leveraging the institution's internal capabilities, known as self-financing sources. For an endowment institution, these sources include real estate, agricultural and urban land, and financial liquidity obtained from leasing properties. Therefore, before seeking external funding for its projects, the endowment institution should first evaluate its own resources and initial assets for optimal utilization[1].

b) Establishing a Single Institution for Endowment Management

Contemporary financing relies on establishing a competent financial management entity that can maintain the institution's original resources or funds obtained from external financing, i.e., beyond its budget. The endowment institution is in urgent need of such specialized management to plan, implement, or oversee projects[2].

Additionally, specialized management is necessary for conducting feasibility studies of projects from both technical and economic perspectives, assessing their alignment with the institution's reality and

[1] Ali Saeed Abdul Wahab Maki, *Project Financing in Islam*, (Cairo, Egypt: Dar Al-Fikr Al-Arabi, 1979), p. 118. [Original work is in Arabic]
[2] Ali Saeed Abdul Wahab Maki, *op. cit.*, pp. 181-193. [Original work is in Arabic]

financial capabilities. This includes evaluating costs, maintenance, services provided by the investment project, and anticipated profits[1].

Thus, the Endowment Directorate should consider establishing a specialized technical management body in Islamic finance and investment, then assess its own self-financing capabilities to fund its projects independently. If this is not feasible, it should explore external financing options to ensure the safety and risk management of the investment process.

2. External Financing for Algerian Endowment Projects

The pursuit of external financing aims at seeking funding sources outside the endowment fund. This could involve finding an economic partner to finance endowment investment projects in exchange for a share of the profits. Potential partners might include foreign entities, Islamic banks, the Islamic Development Bank, or European foreign companies interested in such investments. Additionally, the Endowment Directorate may turn to the public, offering individuals an opportunity to invest in its economic projects by enticing them with a share of the production profits. These external financing sources can be categorized as follows[2].

a) National Financing for Endowment Investments

The task of the Endowment Directorate is to seek an economic partner within the country, such as Al Baraka Bank Algeria or shareholding companies, which generally conduct transactions in accordance with Sharia, or reputable individuals. Islamic banks, in particular, offer financing that aligns with Islamic law. Key financing activities outlined in Article 04 of System No. 20/02, which regulates banking operations related to Islamic finance and its rules as practiced by banks and financial institutions, include:

[1] Hussein Omar, *The Economic Encyclopedia*, (Cairo, Egypt: Dar Al-Fikr Al-Arabi, 1992), p. 212. [Original work is in Arabic]

[2] Abdelkader Ben Azzouz, "The Jurisprudence of Endowment Investment and Financing in Islam: An Applied Study on Endowments in Algeria," published PhD thesis, University of Algiers, 2003/2004, p. 130. [Original work is in Arabic]

First: Participation Financing (Musharakah)

This type of financing revolves around the nature of the partnership, including the rights and responsibilities of the bank and the client, the required guarantees, the duration of the partnership, the conditions and reasons for contract dissolution, and the expenses and documentation costs. It also covers the method of resolving disputes between the bank and the client, among other conditions and rights pertaining to both parties[1].

Second: Salam Financing (Salam)

Article 09 of System 20/02 details the contract's content, the rights of the bank and the client, and the protective guarantees for the proper conduct of a Salam contract. It also specifies the contract's duration, conditions under which the contract may be terminated, and the resulting effects, along with other terms and conditions related to this type of financing.

Third: Profit-Sharing Financing (Mudarabaha)

In this arrangement, the client acts as the investor using the bank's funds. The bank sets preventive conditions to safeguard its capital from the investor, detailing the investor's rights and duties, as well as the bank's rights and obligations. It also outlines the rules and consequences of contract dissolution and other precautionary conditions for such investment projects[2].

Fourth: Murabaha Financing

Al Baraka Bank Algeria offers Murabaha contracts to its clients under conditions and terms provided in two types of contracts for different purposes:

[1] See: Article 06 of System 20/02, which defines banking operations related to Islamic banking and its rules for banks and financial institutions, [previously cited]. [Original work is in Arabic]

[2] See: Article 07 of System 20/02, which defines banking operations related to Islamic banking and its rules for banks and financial institutions, [previously cited]. [Original work is in Arabic]

1. **Murabaha Contract for Consumer Financing**: This contract facilitates the purchase of consumer goods.

2. **Murabaha Contract for Equipment Financing**: The bank, upon the client's request, purchases equipment specified at the time of contracting. The client then receives the equipment and sells it with a profit margin, which is split between the seller (Murabaha) and the bank[1].

Fifth: Ijarah Financing

Ijarah, or leasing, is one of the most important financing mechanisms for endowment investment projects. Al Baraka Bank offers this financing option for both movable and immovable assets. The Endowment Directorate can utilize this form of financing to develop its investment projects, particularly in agriculture, by acquiring necessary equipment such as modern irrigation tools, plowing, harvesting, and threshing machinery.

Sixth: Istisna Financing

Istisna is a contractual agreement recognized by the Hanafi school and referred to as "Salam in manufacturing" by other Islamic jurisprudential schools. It is a contract that has been approved by the majority of Islamic scholars and was practiced during the time of the Prophet Muhammad (PBUH). Istisna is a contract that remains relevant and can be applied more effectively today due to available financial liquidity. It involves ordering the production of a specified item and is not a sale of the work itself[2].

Currently, endowment managers are increasingly turning to Islamic banks for financing investments on endowment lands through Istisna contracts[3]. In this arrangement, the banking institution finances the

[1] Abdelkader Ben Azzouz, *The Jurisprudence of Endowment Investment and Financing in Islam: An Applied Study on Endowments in Algeria*, p. 133. [Original work is in Arabic]
[2] Marah Malik, "Endowment Investment: Mechanisms and Shariah Controls," *Journal of Knowledge Assemblies*, No. 05 (Algeria, 2017), p. 189. [Original work is in Arabic]
[3] Ramih Ried and Wadhih Fawaz, "Innovative Mechanisms and Formulas for Developing Islamic Endowment Resources and Achieving Sustainable Development,"

project, and the costs are repaid in installments as the project progresses. Additionally, a portion of the proceeds is allocated to the beneficiaries of the endowment, with the entire profit being returned to the endowment after covering all expenses[1].

Investment issues and the application of sustainable development concepts and dimensions present a strong case for utilizing istisna (a type of Islamic contract). Istisna ensures the sustained benefit of expertise and natural resources in a manner that balances economic protection with investment sustainability, making it a valuable economic tool[2].

Thus, the istisna contract is particularly beneficial for the development of Algerian endowments (awqaf). This is especially relevant given that these endowments often have the land required for the project but lack only the financial resources to complete it. For instance, building a parking facility on endowment land could be financed through an istisna contract, leveraging this financial mechanism to enhance the economic value of the endowment[3].

Seventh: Build-Operate-Transfer (B.O.T)

The Build-Operate-Transfer (B.O.T) model is a financing approach that was developed in the West for investment projects. Its use in the Islamic context is permissible, provided it aligns with Sharia principles. This model involves private sector participation (local or foreign) in the development and execution of major projects, without the financial burden falling on the government. Endowments can benefit from this model to finance their projects. The B.O.T system is described as:

Journal of Business Economics and Commerce, No. 04 (Algeria, 2017), p. 330. [Original work is in Arabic]

[1] Marah Malik, *ibid.*, p. 189. [Original work is in Arabic]

[2] Djilali Dellali, "Fundamental Pillars in Understanding the Relationship Between Environmental Security, Endowments, and Sustainable Development," in *Third International Conference on Environmental Security Challenges and Sustainable Development in National Legislation and International Agreements*, Faculty of Law and Political Science, University of Chlef, Algeria, 2017, p. 14. [Original work is in Arabic]

[3] Abdelkader Ben Azouz, *ibid.*, p. 134. [Original work is in Arabic]

"A Western development of an Islamic concept."[1]

The B.O.T system is suitable for financing endowment projects, especially large-scale ones, such as universities, hospitals, or alternative energy projects. To ensure the effectiveness of this model, several steps should be followed[2]:

- **Thorough Project Study:** Conduct a detailed analysis of the large-scale endowment project to ensure feasibility and sustainability.

- **Tendering Process:** Announce a national or international tender for the project, offering endowment land for the proposed development.

- **Contracting and Execution:** Enter into a contract with the selected partner, ensuring that the project is executed to standard and free from defects upon completion.

By using the B.O.T model, endowment management can secure a significant project that generates revenue to fund other endowment activities, thus enhancing and expanding endowment investments.

Current State of Endowment Investment

Recent efforts by the Ministry of Religious Affairs to revitalize endowment investments have led to the initiation of various projects. Investment methods have been categorized, with lease agreements accounting for the majority (69.42%) of investments. Other financing methods mentioned previously represent around 22.88%, while approximately 7.70% remain underutilized.

A closer look at endowment investment outcomes, particularly those linked to economic growth, reveals a modest number of projects.

[1] Faraj Al-Hussein, "Environmental Endowments and Their Role in Protecting the Environment and Ensuring Sustainable Development," in *Fourth International Conference on the Legal System for Enhancing Management and Investment in the Endowment Sector*, Faculty of Law and Political Science, University of Chlef, Algeria, 2019, p. 20. [Original work is in Arabic]
[2] *ibid.*, p. 20. [Original work is in Arabic]

This suggests a lack of commitment to utilizing endowment properties as a viable source for creating a positive investment environment.

b) Seeking External Financing

The pursuit of external financing sources, whether domestically or internationally, through Arab, Islamic, or foreign cooperation, has gained importance following the enactment of Law No. 90-10 on Currency and Credit[1], which has since been repealed. This is especially relevant in light of subsequent decrees that established the legal framework for national and foreign investment, notably the amendments of 03-11 and subsequent updates, as well as Order No. 01-07, which addresses endowments[2].

It is crucial for endowment institutions to avoid borrowing from foreign banks, aiming instead to acquire equipment and machinery rather than engaging in interest-bearing loans. If borrowing becomes necessary, it should be managed carefully with appropriate terms that align with the repayment schedule[3], reflecting a practice consistent with successful investment institutions.

Given these considerations, endowment institutions should first evaluate their primary sources of funds before negotiating with external parties to identify suitable investment and financing options. This may involve permanent or temporary participation contracts, ensuring that their endowments are developed according to a secure plan for managing their entrusted assets or achieving the broader objectives of Islamic endowments.

3. Evaluating the Role of Decentralized Authorities in the Investment and Development of Endowment Assets

Although the intervention of modern states in the management of endowment properties has not been uniform across different Islamic

[1] Law No. 90-10, dated April 14, 1990, on Currency and Credit. *Journal Officiel de la République Algérienne*, No. 16, published on April 18, 1990 (repealed). [Original work is in Arabic]

[2] Law No. 01-07, dated May 22, 2001, amending and supplementing Law No. 91-10 concerning Endowments. *Journal Officiel de la République Algérienne*, No. 29, published on May 23, 2001. [Original work is in Arabic]

[3] Hussein Omar, *ibid.*, p. 272. [Original work is in Arabic]

countries, a common characteristic has been central administration. This approach perpetuates bureaucratic inefficiencies and hinders investment momentum.

a) Problems of Centralized Management of Endowment Assets in Algeria

The outcomes associated with centralized management in many countries reveal a lack of genuine improvement in the productive efficiency and preservation of endowment properties. The perception of the endowment sector remains limited[1]. In Algeria, despite the relative centralization of endowment asset management, the current practice has proven ineffective due to the noticeable sluggishness in advancing endowment institutions and activating their role within the state. Furthermore, the centralized management approach in Algeria faces several issues[2]:

- **Need for Specialization and Flexibility:** The management of endowment assets requires dedication, continuous oversight, specialization, and efficiency, along with a degree of autonomy in decision-making. This avoids delays caused by having to consult central authorities for every minor decision. However, legislative texts governing endowments in Algeria do not provide a distinct framework for managing endowment institutions, treating them similarly to other state-run entities.

- **Lack of Clear Legislative Framework:** The legislative texts regulating endowment management are often unclear, leaving many administrative matters under the control of the executive branch. Additionally, some legal provisions seem to direct endowment finances towards state priorities, reflecting the broader governmental policies and agreements rather than

[1] Yasser Abdel Karim Al-Hourani, "Institutional Problems of Endowments in the Historical Islamic Experience," *Awqaf Journal*, published by the General Secretariat of Awqaf, Kuwait, Vol. 8, No. 14, (Algeria, 2008), p. 77. [Original work is in Arabic]

[2] Intissar Mjoudj, "Civil Protection of Endowment Properties in Algerian Law," published PhD thesis, Faculty of Law, University of Biskra, 2015-2016, p. 222. [Original work is in Arabic]

addressing the specific needs and objectives of endowment institutions.

- **Diminished Role of the Direct Overseer:** The direct overseer's role, which was originally established for effective management, has been undermined. This individual is unable to respond promptly and effectively to urgent local needs as they operate under the supervision of the Endowment Commissioner. Moreover, many of their powers are reserved for the minister or the Endowment Committee.
- **Financial Limitations:** The overseer in charge of managing endowment assets lacks authority over the financial resources of the endowment. This limitation impedes their ability to undertake investments that could enhance the endowment's value.
- **Restricted Management Scope:** The space allocated for endowment management is narrowly confined to a single directorate out of six, each of which has different responsibilities. This directorate is tasked with various functions, including pilgrimage, zakat, and endowments, which affects the decentralized management at the local level.

b) Trend Towards Abandoning the Centralized Management System Due to Its Incompatibility

Researchers focused on endowment issues in Algeria argue that the centralized management of public endowment assets in Algeria, despite its justifications, does not align well with the concept of public endowments. Some believe that since public endowment assets are based on principles of charity and benevolence, it would be more appropriate for these assets to be managed by institutions or charitable organizations established by donors and benefactors. The state's role should be limited to overseeing these assets through its institutions or judicial authorities.

There is a pressing need to restructure the management of endowments into a National Endowment Office, equipped with adequate financial and human resources, and granted administrative and managerial independence. Such an office would facilitate the realization of numerous objectives and developments[1].

[1] Fares Msdour and Kamal Mansouri, "Algerian Endowments: A Look at the Past and Present," *Awqaf Journal*, (Kuwait, 2008), pp. 100-101. [Original work is in Arabic]

Former Minister of Religious Affairs and Endowments, Bouabdallah Ghlamallah, had announced the establishment of the National Endowment Office as a body responsible for managing endowment assets at the national level. A specialized committee was formed to prepare the executive decree for this body, and a series of meetings were held. However, this body has yet to be established. It is crucial that the implementation of a National Endowment Office be based on a comprehensive study that considers historical experiences in endowment management, attempts to reconcile the advantages of individual management with the benefits of judicial practice in managing endowments, and leverages successful modern experiences in endowment management while adapting them to the specific realities of endowments in Algeria.

Conclusion:

In conclusion, this study, which focused on the role of decentralized bodies in financing investment projects for endowment assets, has led us to several key findings:

- Endowment assets represent a distinctive economic investment system with significant impacts on various aspects of human life.
- There has been a notable increase in the Algerian legislator's efforts and genuine willingness to recognize endowment assets as a viable investment opportunity within the context of achieving economic growth.
- A range of supervisory bodies has been established to ensure the smooth flow of investments in endowment assets, both at the central and local levels.
- The legislative framework supports various traditional and modern investment models, contributing to the revival of endowment investments in Algeria.

Based on these findings, we offer the following recommendations:

- **Creation of a Dedicated Endowment Institution**: Establish an endowment institution separate from the Ministry of Religious

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Affairs and Endowments, granting it full administrative and financial independence.

- **Adoption of Transparency**: Implement transparency in the management and investment of endowment funds to build trust among benefactors.

- **Expansion of Investment Models**: Broaden the scope of investment models to align with developments in Islamic financing, and provide decentralized bodies with greater opportunities for investing in endowment assets.

- **Review of Legal Framework**: Reassess the legal framework governing endowment investment to address existing gaps and enhance the regulatory environment.

- **Utilization of Participatory Management Mechanisms**: Leverage the capabilities of civil society, the private sector, and media outlets to strengthen the role of investment in endowments.

By addressing these recommendations, it is possible to enhance the effectiveness and reach of endowment investments, thereby contributing to the overall development of this important economic sector.